

Philip Angelides, Chairman
CA State Treasurer

The HealthCAP Loan Program Information

A Partnership between

CALIFORNIA HEALTH FACILITIES
FINANCING AUTHORITY

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Sacramento, California 95814
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NCB DEVELOPMENT
CORPORATION

NCB
NCB Development Corporation
1333 Broadway, Suite 602
Oakland, CA 94612

Loans for Health Facilities at
Competitive Rates & Terms



Program OBJECTIVE

The Authority recognizes the difficulty health facilities have in obtaining adequate financing for their capital needs. The Authority has partnered with NCB Development Corporation (NCBDC) to increase access to capital for these facilities. The program targets loans of \$400,000 to \$1 million with competitive interest rates and terms.

Eligibility



General Requirements:

- ◆ Must qualify as a health facility under the Authority's enabling legislation. (See "Health Facilities Defined", page 6.)
- ◆ Must be a non-profit 501(c)(3) corporation, or a public health facility (e.g., District Hospital).
- ◆ Must have been in existence for at least three years performing the same types of services.
- ◆ Must provide three years audited financial statements.
- ◆ Must demonstrate evidence of fiscal soundness and the ability to meet the terms of the loan.
- ◆ Must show readiness to begin projects shortly after funding for construction and remodeling projects.
- ◆ Must provide for consumer savings and community benefit.

Uses of Funds



Funds may be used to:

- ◆ Purchase, construct, renovate, or remodel real property.
- ◆ Perform feasibility studies, site tests, and surveys associated with real property.
- ◆ Pay permit fees, architectural fees, and other pre-construction costs.
- ◆ Purchase equipment and furnishings.
- ◆ Reimburse eligible expenditures made within 90 days of the application date.
- ◆ Refinance an existing loan with any of the following terms:
 - a) Balloon payment due within 24 months.
 - b) Current interest rate which is at least 3% higher than the rate offered by NCBDC.
 - c) Cash-out refinances of real property, with a minimum of \$100,000 cash-out (proceeds must be used for an eligible purpose).



Funds may **not** be used for:

- ◆ Day-to-day operational expenses (working capital).
- ◆ Reimbursement of prior project expenditures disbursed more than 90 days from the application date.
- ◆ Funding start-up corporations.

HealthCAP

Loan Information



Terms:

- ♦ Interest rate is tied to the ten-year Treasury Bond Yield, plus a margin as low as 2.15%.
- ♦ Fixed interest rate for ten years. Rate adjusts every five years thereafter.
- ♦ Loan amounts of \$250,000 to \$1 million.¹
- ♦ Real property loans have a maximum loan to value ratio of 90%, with a loan term up to 15 years. For applications with a loan to value in excess of 80%, borrower will be required to make a deposit into a reserve account (see page 5 for details)
- ♦ Equipment loans have a maximum loan to value ratio of 75%, with a loan term up to 5 years (higher loan to value may be possible with additional collateral).
- ♦ Revenue pledge required. Additional collateral (equipment and/or real estate) will also be required.
- ♦ Fully amortizing loans.
- ♦ No prepayment penalties.
- ♦ Loans funded in approximately 60-90 days from the application date.

Standard Borrower Covenants

Borrowers receiving loans must:

- ♦ Submit annual audits to NCBDC and the Authority. NCBDC also requires quarterly unaudited financial statements and budgets.
- ♦ Maintain adequate property and business insurance.
- ♦ Notify the Authority and NCBDC of any significant changes in corporate existence prior to the occurrence (i.e., mergers, consolidations, structure or name changes).

¹ Loan amounts up to \$1.4 million can be obtained by combining the Authority's HELP II Loan Program (maximum loan of \$400,000) and a HealthCAP Loan. For further information regarding the HELP II Loan Program, contact the Authority or check the CHFFA website (www.treasurer.ca.gov/chffa/chffa.htm).

Fees & Charges



- ◆ There is a non-refundable \$250 application fee payable to the Authority that must be submitted with the application.
- ◆ For approved loans, there is a loan origination fee ranging from 1.0% to 1.5% of the loan amount. This one-time fee is used to defray loan administration and closing costs and cannot be financed as part of the project. For approved loans, application fee will be applied to loan origination fee.
- ◆ For approved loans, there is a document preparation fee of \$1,000.
- ◆ Title, escrow, environmental inspection and construction inspection fees may be required for transactions involving real estate.
- ◆ There are no ongoing fees of the program.
- ◆ Out of pocket costs necessary to close the loan, will be the responsibility of the borrowers.

Reserve Account



- Borrowers with higher loan to value ratios will be required to fund a reserve account (RA) at closing. This can range from 1%-2% of the loan amount and cannot be financed as part of the loan. See the schedule below:

<u>Loan to Value</u>	<u>Required Deposit into RA</u>
80% or less	0%
80.01%-85.00%	1% of loan amount
85.01%-90.00%	2% of loan amount

- The borrower's RA deposit will not be refunded to the borrower until the loan is paid in full.
- The borrower shall not earn interest on their funds held in the account.

Health Facilities Defined



To be eligible for financing, an applicant must have received non-profit status *and* qualify as a health facility under the Authority's enabling legislation – Section 15432(d) of the Government Code. An applicant, with a few exceptions, must be licensed by the State of California, typically through the Department of Health Services or Department of Social Services. If an applicant is unsure about their eligibility, please contact the Authority.

Examples of qualifying health facilities include:

- Acute care hospitals
- Adult day health centers
- AIDS clinics
- Alcoholism recovery facilities ⁽¹⁾
- Blood Banks
- Chemical dependency facilities
- Child day care facilities ⁽²⁾
- Community clinics
- Community mental health facilities ⁽³⁾
- Community work-activity program (Accredited) ⁽⁴⁾
- Developmental disability facilities
- Diagnostic or treatment centers
- Group homes ⁽⁵⁾
- Multilevel care facilities⁽⁶⁾
- Psychiatric facilities
- Public health centers
- Rehabilitation facilities
- Skilled nursing / intermediate care facilities

(1) Services must include residential care that provides a 24-hour stay.

(2) Must be operated in conjunction with a licensed health facility.

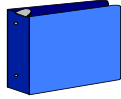
(3) State license is not required, however must be certified by the State of California, Department of Mental Health.

(4) Includes sheltered workshops.

(5) Excludes foster family homes and agencies, adoption agencies, and residential care facilities for the elderly.

(6) Skilled Nursing Facility (SNF) or Intermediate Care Facility (ICF) care in conjunction with residential care.

Applying for a loan



The Authority and NCBDC welcome your loan application and wish you success in your financing endeavors. Staff will be pleased to answer any questions you have or to provide technical assistance in preparing the application. A pre-application discussion with Authority staff is recommended to ensure that the borrower and project qualify for financing. Please call us at (916) 653-2799.

GENERAL INFORMATION

Applications will be accepted on a continual basis.

The Authority and/or NCBDC may require a site visit to evaluate the project and the borrower's operations.

PREPARING THE APPLICATION

1. Prepare two report covers (Fig. 1) with two-prong metal fasteners (Fig. 2), with 15 tabs.

Fig. 1

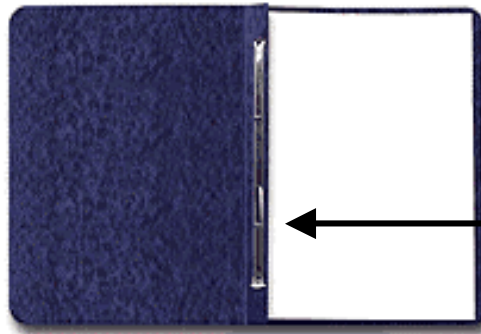


Fig. 2



2. In Tab 1 of the folders, place the completed written application (pages 9 through 14). The application must be typed. **Incomplete or illegible applications will not be considered for financing.**
3. Tabs 2 through 12, insert the supplementary materials as requested on pages 15 through 23.
4. In Tab 13, insert signed Certification (page 24), in Tab 14, insert completed Exhibit A and in Tab 15, if applicable, insert completed Exhibit B.

SUBMITTING THE APPLICATION

Enclose a check for \$250 made payable to the *California Health Facilities Financing Authority* (non-refundable application fee) and forward the original loan application to NCBDC and a copy to the Authority at the addresses shown below:

Submit the **original** loan application

NCB Development Corporation
1333 Broadway, Suite 602
Oakland, CA 94612
Attn: Scott Spote

Submit application fee and a **copy** of loan application to:

California Health Facilities Financing Authority
915 Capitol Mall, Suite 590
Sacramento, California 95814
Attn: Terrence L. Partington